

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Cannon
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Cannon, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Cannon, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township of Cannon, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Cannon, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Cannon, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Cannon, Michigan's basic financial statements. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Board of Trustees
Township of Cannon, Michigan
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The Township of Cannon, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Sigfried Crandall P.C.

June 10, 2005

BASIC FINANCIAL STATEMENTS

Township of Cannon
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 9,884	\$ 180,384	\$ 190,268
Investments	2,827,203	700,431	3,527,634
Receivables, net	218,878	20,936	239,814
Prepaid expense	13,039	-	13,039
Total current assets	3,069,004	901,751	3,970,755
Noncurrent assets:			
Capital assets, net	2,132,720	3,576,096	5,708,816
Total assets	5,201,724	4,477,847	9,679,571
LIABILITIES			
Current liabilities:			
Payables	61,865	109,959	171,824
Contracts payable	-	47,235	47,235
Total current liabilities	61,865	157,194	219,059
Noncurrent liabilities:			
Contracts payable	-	1,698,552	1,698,552
Total liabilities	61,865	1,855,746	1,917,611
NET ASSETS			
Invested in capital assets, net of related debt	2,132,720	1,830,309	3,963,029
Restricted for:			
Public safety	1,203,234	-	1,203,234
Public works	33,353	-	33,353
Culture and recreation	391,683	-	391,683
Unrestricted	1,378,869	791,792	2,170,661
Total net assets	\$ 5,139,859	\$ 2,622,101	\$ 7,761,960

See notes to financial statements

Township of Cannon
STATEMENT OF ACTIVITIES
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 19,675	\$ -	\$ -	\$ -
General government	829,471	26,903	-	52,000
Public safety	773,721	159,978	-	-
Public works	271,493	51,177	-	-
Community and economic development	126,415	5,000	-	-
Culture and recreation	58,298	-	-	-
Total governmental activities	2,079,073	243,058	-	52,000
Business-type activity - sewer	707,819	411,988	-	-
Totals	<u>\$2,786,892</u>	<u>\$ 655,046</u>	<u>\$ -</u>	<u>\$ 52,000</u>

General revenues:

Property taxes
State shared revenue
Franchise fees
Interest income
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (19,675)		\$ (19,675)
(750,568)		(750,568)
(613,743)		(613,743)
(220,316)		(220,316)
(121,415)		(121,415)
<u>(58,298)</u>		<u>(58,298)</u>
(1,784,015)		(1,784,015)
<u>-</u>	\$ <u>(295,831)</u>	<u>(295,831)</u>
<u>(1,784,015)</u>	<u>(295,831)</u>	<u>(2,079,846)</u>
1,081,273	-	1,081,273
831,222	-	831,222
51,474	-	51,474
48,257	15,517	63,774
<u>23,532</u>	<u>-</u>	<u>23,532</u>
<u>2,035,758</u>	<u>15,517</u>	<u>2,051,275</u>
251,743	(280,314)	(28,571)
<u>4,888,116</u>	<u>2,902,415</u>	<u>7,790,531</u>
<u>\$ 5,139,859</u>	<u>\$ 2,622,101</u>	<u>\$ 7,761,960</u>

See notes to the financial statements

Township of Cannon
BALANCE SHEET - governmental funds
March 31, 2005

	<u>Major funds</u>			<u>Nonmajor funds</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Fire</u>	<u>Recreation</u>		
ASSETS					
Cash	\$ 5,828	\$ 100	\$ -	\$ 3,956	\$ 9,884
Investments	1,202,451	1,203,222	387,561	33,969	2,827,203
Receivables	195,011	15,698	6,487	1,682	218,878
Total assets	<u>\$ 1,403,290</u>	<u>\$ 1,219,020</u>	<u>\$ 394,048</u>	<u>\$ 39,607</u>	<u>\$ 3,055,965</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 41,416	\$ 15,786	\$ 2,365	\$ 2,298	\$ 61,865
Deferred revenue	9,550	-	-	-	9,550
Total liabilities	<u>50,966</u>	<u>15,786</u>	<u>2,365</u>	<u>2,298</u>	<u>71,415</u>
Fund balances:					
Unreserved:					
Designated	243,089	376,909	-	-	619,998
Undesignated	1,109,235	826,325	391,683	37,309	2,364,552
Total fund balances	<u>1,352,324</u>	<u>1,203,234</u>	<u>391,683</u>	<u>37,309</u>	<u>2,984,550</u>
Total liabilities and fund balances	<u>\$ 1,403,290</u>	<u>\$ 1,219,020</u>	<u>\$ 394,048</u>	<u>\$ 39,607</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

2,132,720

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

13,039

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

9,550

Net assets of *governmental activities* (page 5)

\$ 5,139,859

Township of Cannon
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds
Year ended March 31, 2005

	Major funds			Nonmajor funds	Total governmental funds
	General	Fire	Recreation		
REVENUES					
Property taxes	\$ 473,131	\$ 430,324	\$ 177,818	\$ -	\$ 1,081,273
Licenses and permits	202,643	-	-	-	202,643
State grants	831,222	-	-	-	831,222
Charges for services	37,103	-	-	-	37,103
Interest and rentals	23,958	19,377	4,538	384	48,257
Other	14,236	8,555	-	45,977	68,768
Total revenues	1,582,293	458,256	182,356	46,361	2,269,266
EXPENDITURES					
Legislative	19,675	-	-	-	19,675
General government	782,026	-	-	-	782,026
Public safety	381,542	315,256	-	-	696,798
Public works	218,221	-	-	53,272	271,493
Community and economic development	126,415	-	-	-	126,415
Culture and recreation	8,526	-	47,274	-	55,800
Capital outlay	99,252	76,216	-	-	175,468
Total expenditures	1,635,657	391,472	47,274	53,272	2,127,675
NET CHANGE IN FUND BALANCES	(53,364)	66,784	135,082	(6,911)	141,591
FUND BALANCES - BEGINNING	1,405,688	1,136,450	256,601	44,220	2,842,959
FUND BALANCES - ENDING	\$ 1,352,324	\$ 1,203,234	\$ 391,683	\$ 37,309	\$ 2,984,550

Net change in fund balances - total governmental funds \$ 141,591

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital assets:	
Assets acquired	211,901
Provision for depreciation	(124,338)
Change in prepaid expenses	13,039
Change in deferred revenue	9,550
Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 251,743</u>

See notes to financial statements

Township of Cannon
STATEMENT OF NET ASSETS - proprietary fund
March 31, 2005

	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash	\$ 180,384
Investments	700,431
Receivables, net	<u>20,936</u>
Total current assets	901,751
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>3,576,096</u>
Total assets	<u>4,477,847</u>
LIABILITIES	
Current liabilities:	
Payables	109,959
Contracts payable	<u>47,235</u>
Total current liabilities	157,194
Noncurrent liabilities:	
Contracts payable	<u>1,698,552</u>
Total liabilities	<u>1,855,746</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,830,309
Unrestricted	<u>791,792</u>
Total net assets	<u>\$ 2,622,101</u>

See notes to financial statements

Township of Cannon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund*
Year ended March 31, 2005

	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 411,988
OPERATING EXPENSES	
Operation and maintenance	534,306
Depreciation	<u>82,890</u>
Total operating expenses	<u>617,196</u>
OPERATING LOSS	<u>(205,208)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	15,517
Interest expense	<u>(90,623)</u>
Total nonoperating expense	<u>(75,106)</u>
CHANGE IN NET ASSETS	(280,314)
NET ASSETS - BEGINNING	<u>2,902,415</u>
NET ASSETS - ENDING	<u><u>\$ 2,622,101</u></u>

See notes to financial statements

Township of Cannon
STATEMENT OF CASH FLOWS - proprietary fund
Year ended March 31, 2005

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 431,061
Payments to suppliers	(520,180)
Payments to employees	<u>(7,035)</u>
Net cash used in operating activities	<u>(96,154)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(196,395)
Increase in capital debt	196,395
Principal payments on capital debt	(44,868)
Interest payments on capital debt	<u>(88,723)</u>
Net cash used in capital and related financing activities	<u>(133,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investments	234,718
Interest received	<u>15,517</u>
Net cash provided by investing activities	<u>250,235</u>
NET INCREASE IN CASH	20,490
CASH - BEGINNING	<u>159,894</u>
CASH - ENDING	<u><u>\$ 180,384</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (205,208)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	82,890
Change in assets and liabilities:	
Receivables, net	19,073
Payables	<u>7,091</u>
Net cash used in operating activities	<u><u>\$ (96,154)</u></u>

See notes to financial statements

Township of Cannon
STATEMENT OF FIDUCIARY NET ASSETS - *agency fund*
March 31, 2005

ASSETS

Cash	<u>\$ 11,390</u>
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LIABILITIES

Payables	<u>\$ 11,390</u>
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See notes to the financial statements

Township of Cannon
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Cannon, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the use of property tax revenues that are restricted for the financing of the costs of fire protection within the Township.

The Recreation Fund accounts for the use of property tax revenues that are restricted for the financing of recreation costs within the Township.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 50 years
Equipment	5 - 20 years
Vehicles	20 years
Infrastructure	20 years

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of March 1 on property values assessed as of March 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the functional level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH AND INVESTMENTS:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 9,684	\$ 180,384	\$ 11,390	\$ 201,458
Investments	2,827,203	700,431	-	3,527,634
Cash on hand	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Totals	<u>\$ 2,837,087</u>	<u>\$ 880,815</u>	<u>\$ 11,390</u>	<u>\$ 3,729,292</u>

Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township had deposits with a carrying amount of \$201,458 and a bank balance of \$261,136. Of the bank balance, \$103,996 is covered by federal depository insurance and \$157,140 is uninsured.

Investments:

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute, and f) investment pools organized under the local government investment pool act. At March 31, 2005, the Township's investments consisted of holdings, in the amount of \$3,527,634, in the Kent County Investment Pool, a non-risk categorized, qualifying investment pool. The investments are recorded at cost, which approximates fair market value.

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At March 31, 2005, the Township's receivables were as follows:

	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Totals</i>
Governmental activities:					
General Fund	\$ 16,588	\$ 50,916	\$ 127,507	\$ -	\$ 195,011
Fire Fund	15,698	-	-	-	15,698
Recreation Fund	6,487	-	-	-	6,487
Nonmajor funds	-	-	-	1,682	1,682
	<u>\$ 38,773</u>	<u>\$ 50,916</u>	<u>\$ 127,507</u>	<u>\$ 1,682</u>	<u>\$ 218,878</u>
Business-type activities:					
Sewer Fund	<u>\$ -</u>	<u>\$ 20,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,936</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 1,724,407	\$ 21,420	\$ -	\$ 1,745,827
Equipment	364,800	161,649	-	526,449
Vehicles	1,112,500	28,832	-	1,141,332
Subtotal	<u>3,201,707</u>	<u>211,901</u>	<u>-</u>	<u>3,413,608</u>
Less accumulated depreciation for:				
Buildings	378,263	36,085	-	414,348
Equipment	164,020	38,978	-	202,998
Vehicles	614,267	49,275	-	663,542
Subtotal	<u>1,156,550</u>	<u>124,338</u>	<u>-</u>	<u>1,280,888</u>
Total governmental activities capital assets, net	<u>\$ 2,045,157</u>	<u>\$ 87,563</u>	<u>\$ -</u>	<u>\$ 2,132,720</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Sewer system	\$ 4,904,341	\$ 196,395	\$ -	\$ 5,100,736
Less accumulated depreciation	<u>1,441,750</u>	<u>82,890</u>	<u>-</u>	<u>1,524,640</u>
Total business-type activities capital assets, net	<u>\$ 3,462,591</u>	<u>\$ 113,505</u>	<u>\$ -</u>	<u>\$ 3,576,096</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 51,182
Public safety	70,658
Public works	<u>2,498</u>
Total governmental activities	<u>\$ 124,338</u>

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at March 31, 2005 consist of the following issues:

Business-type activities:

2000 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$16,475 to \$54,909; plus interest payable semi-annually at rates between 5.00% and 5.50%; final payment due May 2025.	\$ 831,830
2001 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$14,384 to \$39,680; plus interest payable semi-annually at rates between 2.80% and 4.875%; final payment due November 2026.	566,008
2002 North Kent County Sewer Authority debt service contract; payable in annual installments ranging between \$8,701 to \$23,611; plus interest payable semi-annually at rates between 2.7% and 5.05%; final payment due November 2027.	<u>347,949</u>
Total business-type activities	<u>\$ 1,745,787</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Long-term debt activity for the year ended March 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Business-type activities:</i>					
2000 debt service contract	\$ 692,714	\$ 160,095	\$ (20,979)	\$ 831,830	\$ 22,195
2001 debt service contract	565,936	15,036	(14,964)	566,008	15,779
2002 debt service contract	335,610	21,264	(8,925)	347,949	9,261
 Total business-type activities	<u>\$ 1,594,260</u>	<u>\$ 196,395</u>	<u>\$ (44,868)</u>	<u>\$ 1,745,787</u>	<u>\$ 47,235</u>

At March 31, 2005, debt service requirements were as follows:

<u>Year ended March 31,</u>	<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 47,235	\$ 85,428
2007	49,674	83,393
2008	50,183	81,249
2009	53,131	78,979
2010	55,419	76,556
2011 - 2015	318,629	341,277
2016 - 2020	413,600	254,872
2021 - 2025	540,182	135,709
2026 - 2027	217,734	14,996
 Totals	<u>\$ 1,745,787</u>	<u>\$ 1,152,459</u>

NOTE 7 - PAYABLES:

At March 31, 2005, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Accrued interest</u>	<u>Totals</u>
<i>Governmental activities:</i>				
General Fund	\$ 27,182	\$ 14,234	\$ -	\$ 41,416
Fire Fund	11,408	4,378	-	15,786
Recreation Fund	2,365	-	-	2,365
Nonmajor funds	2,298	-	-	2,298
 Total governmental activities	<u>\$ 43,253</u>	<u>\$ 18,612</u>	<u>\$ -</u>	<u>\$ 61,865</u>
 <i>Business-type activities:</i>				
Sewer Fund	<u>\$ 73,259</u>	<u>\$ -</u>	<u>\$ 36,700</u>	<u>\$ 109,959</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 12% of each qualified employee's base salary to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township and its employees made required contributions of \$52,579 and \$7,436, respectively.

NOTE 9 - JOINT VENTURE:

North Kent Sewer Authority:

The Township is a participant in the North Kent Sewer Authority (the Authority). The administrative board of the Authority consists of members appointed by each participating unit. The Authority was formed for the purpose of acquiring and operating a sanitary sewer system.

The Township utilizes the Authority to transport its sewage to the City of Grand Rapids Sanitary Sewer System for treatment and disposal. The Township has no equity interest in the Authority; therefore, financial information of the Authority has not been included in the Township's financial statements. Costs of operations and capital asset acquisitions of the Authority are supported by contributions from the participating municipalities based on their share of sewage flow through the system. The Township has pledged its limited tax full faith and credit for its share of bonds issued by the Authority. During the year ended March 31, 2005, the Township paid the Authority \$507,986.

Complete financial statements for the Authority can be obtained from the Authority's administrative office at P.O. Box 561, Rockford, Michigan 49341-0561.

NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance. Claims resulting from these risks have not exceeded insurance coverage in any of the past five fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2005, follows:

Revenues	\$ 160,528
Expenses	<u>(172,285)</u>
Deficiency of revenues over expenses	<u>\$ (11,757)</u>

Township of Cannon
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - COMMITMENT:

At its April 25, 2005 meeting, the Township Board approved a sewer capital project at an estimated cost of \$234,000, which is expected to be financed with available resources.

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported (General and special revenue funds)	\$ 2,842,959
Capitalization of capital assets, net of accumulated depreciation, not previously reported	<u>2,045,157</u>
Net assets, as restated	<u>\$ 4,888,116</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 458,400	\$ 458,400	\$ 473,131	\$ 14,731
Licenses and permits	161,500	161,500	202,643	41,143
State grants	782,000	782,000	831,222	49,222
Charges for services	36,850	36,850	37,103	253
Interest and rentals	26,000	26,000	23,958	(2,042)
Other	5,700	5,700	14,236	8,536
Total revenues	<u>1,470,450</u>	<u>1,470,450</u>	<u>1,582,293</u>	<u>111,843</u>
EXPENDITURES				
Legislative	<u>19,000</u>	<u>19,700</u>	<u>19,675</u>	<u>25</u>
General government:				
Supervisor	25,100	25,800	25,779	21
Elections	13,650	13,650	13,721	(71)
Assessor	73,800	73,800	72,021	1,779
Clerk	89,000	91,000	90,916	84
Treasurer	101,300	101,300	100,107	1,193
Board of review	1,675	1,675	1,453	222
Information technology	52,000	52,000	45,471	6,529
Administrative support	62,000	62,000	59,322	2,678
Professional services	98,500	98,500	75,152	23,348
Fringe benefits	141,200	160,900	174,878	(13,978)
Hall and grounds	55,500	55,500	57,164	(1,664)
Cemetery	15,900	15,900	11,498	4,402
Contribution to other local units	20,000	20,000	35,344	(15,344)
Other	16,500	16,500	19,200	(2,700)
Total general government	<u>766,125</u>	<u>788,525</u>	<u>782,026</u>	<u>6,499</u>
Public safety:				
Law enforcement	215,000	221,000	220,937	63
Building inspection	156,300	160,300	160,605	(305)
Total public safety	<u>371,300</u>	<u>381,300</u>	<u>381,542</u>	<u>(242)</u>

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Road construction and maintenance	\$ 278,200	\$ 278,200	\$ 183,553	\$ 94,647
Public transportation	1,400	1,400	1,328	72
Watershed	37,850	37,850	33,340	4,510
Total public works	<u>317,450</u>	<u>317,450</u>	<u>218,221</u>	<u>99,229</u>
Community and economic development:				
Planning and zoning	<u>95,500</u>	<u>125,300</u>	<u>126,415</u>	<u>(1,115)</u>
Culture and recreation:				
Parks and recreation	126,000	126,000	1,963	124,037
Historical society	<u>15,600</u>	<u>19,600</u>	<u>6,563</u>	<u>13,037</u>
Total culture and recreation	<u>141,600</u>	<u>145,600</u>	<u>8,526</u>	<u>137,074</u>
Capital outlay	<u>130,000</u>	<u>130,000</u>	<u>99,252</u>	<u>30,748</u>
Total expenditures	<u>1,840,975</u>	<u>1,907,875</u>	<u>1,635,657</u>	<u>272,218</u>
NET CHANGE IN FUND BALANCES	(370,525)	(437,425)	(53,364)	384,061
FUND BALANCES - BEGINNING	<u>1,405,688</u>	<u>1,405,688</u>	<u>1,405,688</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,035,163</u>	<u>\$ 968,263</u>	<u>\$ 1,352,324</u>	<u>\$ 384,061</u>

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 432,700	\$ 432,700	\$ 430,324	\$ (2,376)
Interest	16,000	16,000	19,377	3,377
Other	-	-	8,555	8,555
Total revenues	<u>448,700</u>	<u>448,700</u>	<u>458,256</u>	<u>9,556</u>
EXPENDITURES				
Public safety	299,800	312,800	315,256	(2,456)
Capital outlay	<u>134,000</u>	<u>134,000</u>	<u>76,216</u>	<u>57,784</u>
Total expenditures	<u>433,800</u>	<u>446,800</u>	<u>391,472</u>	<u>55,328</u>
NET CHANGE IN FUND BALANCES	14,900	1,900	66,784	64,884
FUND BALANCES - BEGINNING	<u>1,136,450</u>	<u>1,136,450</u>	<u>1,136,450</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,151,350</u>	<u>\$ 1,138,350</u>	<u>\$ 1,203,234</u>	<u>\$ 64,884</u>

Township of Cannon
BUDGETARY COMPARISON SCHEDULE - Recreation Fund
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 170,000	\$ 170,000	\$ 177,818	\$ 7,818
Interest	<u>2,200</u>	<u>2,200</u>	<u>4,538</u>	<u>2,338</u>
Total revenues	172,200	172,200	182,356	10,156
EXPENDITURES				
Culture and recreation	<u>122,000</u>	<u>122,000</u>	<u>47,274</u>	<u>74,726</u>
NET CHANGE IN FUND BALANCES	50,200	50,200	135,082	84,882
FUND BALANCES - BEGINNING	<u>256,601</u>	<u>256,601</u>	<u>256,601</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 306,801</u>	<u>\$ 306,801</u>	<u>\$ 391,683</u>	<u>\$ 84,882</u>

SUPPLEMENTARY INFORMATION

Township of Cannon
COMBINING BALANCE SHEET - nonmajor governmental funds
March 31, 2005

	<i>Special revenue funds</i>			<i>Total</i>
	<i>Cemetery</i>	<i>Street Lighting</i>	<i>Weed control</i>	
ASSETS				
Cash	\$ 3,956	\$ -	\$ -	\$ 3,956
Investments	-	26,065	7,904	33,969
Receivables, net	-	799	883	1,682
Total assets	<u>\$ 3,956</u>	<u>\$ 26,864</u>	<u>\$ 8,787</u>	<u>\$ 39,607</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ -	\$ 2,298	\$ -	\$ 2,298
Fund balances:				
Unreserved, undesignated	<u>3,956</u>	<u>24,566</u>	<u>8,787</u>	<u>37,309</u>
Total liabilities and fund balances	<u>\$ 3,956</u>	<u>\$ 26,864</u>	<u>\$ 8,787</u>	<u>\$ 39,607</u>

Township of Cannon

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2005

	<i>Special revenue funds</i>			
	<i>Cemetery</i>	<i>Street Lighting</i>	<i>Weed control</i>	<i>Total</i>
REVENUES				
Interest	\$ 36	\$ 253	\$ 95	\$ 384
Other	-	29,034	16,943	45,977
Total revenues	36	29,287	17,038	46,361
EXPENDITURES				
Public works	-	27,592	25,680	53,272
NET CHANGE IN FUND BALANCES	36	1,695	(8,642)	(6,911)
FUND BALANCES - BEGINNING	3,920	22,871	17,429	44,220
FUND BALANCES - ENDING	\$ 3,956	\$ 24,566	\$ 8,787	\$ 37,309